

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5132-01
Bill No.: SB 724
Subject: Economic Development; Taxation and Revenue- General
Type: Original
Date: February 21, 2012

Bill Summary: This proposal prohibits the authorization of tax credit applications until the state agency finds that the applicant remedied delinquent taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$1,300,760)	(\$1,370,931)	(\$1,385,210)
Total Estimated Net Effect on General Revenue Fund	(\$1,300,760)	(\$1,370,931)	(\$1,385,210)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
MO Small Business Development Agency Fund	(\$43,694)	(\$45,183)	(\$45,641)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$43,694)	(\$45,183)	(\$45,641)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	34 FTE	34 FTE	34 FTE
Mo Small Business Development Agency Fund	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	35 FTE	35 FTE	35 FTE

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning** assume this proposal requires DOR to ensure that a taxpayer does not owe delinquent property or federal taxes before that taxpayer is authorized to receive a tax credit. This proposal could have an indirect positive impact on General and Total State Revenues, if it is discovered that a taxpayer owes federal or property tax, and then must also pay taxes into General Revenue or the Blind Pension Fund as a result.

This proposal could have an unknown impact on participation in tax credit programs.

Officials at the **Department of Revenue** assume the Personal Tax Division would need one Revenue Processing Technician I (\$25,380) per 6,000 additional tax credit eligibility verifications.

There are more than 200,000 property tax claimants that file annually. If the Department is required to verify each of those claimants are compliant for both federal and property taxes, it will need approximately 33 additional Revenue Processing Technicians to verify those claims.

Additionally the Corporate Tax Division would need one Revenue Processing Technician I (\$25,380) per 6,000 additional tax credit eligibility verifications, with CARES equipment and license.

Officials at the **Department of Agriculture** assume the additional research required to issue tax credits would create the need for an additional Accountant I (\$33,420).

Oversight has, for fiscal note purposes only, changed the starting salary for Accountant I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials at the **Department of Economic Development** assume an unknown fiscal impact. This proposal prohibits the authorization of tax credit applications until the state agency finds that the applicant remedied delinquent property taxes or federal taxes under the Tax Credit Accountability Act. The tax credit applicant will need to provide proof, either by letter or certification, that they do not have delinquent property or federal taxes.

ASSUMPTION (continued)

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume the department would be required to verify that the applicant for a tax credit administered by the department does not owe any delinquent property taxes or federal taxes. The department would need to verify property taxes through the Department of Revenue (if available). The department is unsure if the federal government would provide this information upon request. The department believes it can absorb the workload within existing appropriations. However, should the extent of the work be more than anticipated, the department would request additional appropriations and/or FTE through the budget process.

Officials at the **Department of Social Services** assume the Division of Legal Services will be able to comply with the bill with existing resources.

Officials at the **Department of Natural Resources** assume there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Cost - Dept of Revenue</u>			
Personal Service	(\$719,100)	(\$871,549)	(\$880,265)
Fringe Benefit	(\$380,692)	(\$461,398)	(\$466,012)
Equipment and Expenses	<u>(\$200,968)</u>	<u>(\$37,984)</u>	<u>(\$38,933)</u>
<u>Total Cost- DOR</u>	(\$1,300,760)	(\$1,370,931)	(\$1,385,210)
FTE Change - DOR	34 FTE	34 FTE	34 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$1,300,760)</u>	<u>(\$1,370,931)</u>	<u>(\$1,385,210)</u>
 Estimated Net FTE Change on General Revenue	 34 FTE	 34 FTE	 34 FTE

**MO SMALL BUSINESS
 DEVELOPMENT AGENCY FUND**

Cost - Dept of Revenue

Personal Service	(\$24,200)	(\$29,330)	(\$29,624)
Fringe Benefit	(\$12,811)	(\$15,527)	(\$15,683)
Equipment and Expenses	<u>(\$6,683)</u>	<u>(\$326)</u>	<u>(\$334)</u>
<u>Total Cost- DOR</u>	(\$43,694)	(\$45,183)	(\$45,641)
FTE Change - DOR	1 FTE	1 FTE	1 FTE

**ESTIMATED NET EFFECT ON MO
 SMALL BUSINESS DEVELOPMENT
 AGENCY FUND**

	<u>(\$43,694)</u>	<u>(\$45,183)</u>	<u>(\$45,641)</u>
Estimated Net FTE Change on MO Small Business Development Agency Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Current law requires that a state agency administering a tax credit verify with the Department of Revenue and the Department of Insurance, Financial Institutions and Professional Registration that the applicant for the tax credit is not delinquent on certain state taxes. This act requires the state agency to also verify that the applicant for the tax credit does not owe any delinquent property taxes or federal taxes.

Currently, if the applicant for the tax credit is delinquent on these state taxes, the agency may authorize tax credits, but the amount of tax credits issued is reduced by the amount of the applicant's delinquency. This act prohibits the state agency from authorizing the tax credit application, until the applicant for the tax credit has remedied the delinquent taxes, or made arrangements to remedy the delinquent taxes.

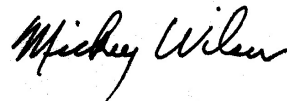
JH:LR:OD

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Agriculture
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Department of Social Services



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